

ETASM - Electronic Transfer Account
COMMONLY ASKED QUESTIONS AND ANSWERS

Financial Management Service

I. GENERAL QUESTIONS

Q1. What is an ETASM?

- A1. An ETASM is a low-cost account which is made available by participating Federally insured financial institutions to individuals who receive Federal benefit, wage, salary, or retirement payments. The account allows recipients to receive Federal payments electronically in accordance with the electronic funds transfer (EFT) provision of the Debt Collection Improvement Act of 1996 (DCIA). The DCIA requires that Federal payments, except for tax refunds and except where waived by the Secretary of the Treasury, be made electronically after January 1, 1999. Financial institutions that choose to offer ETAsSM will enter into an ETASM Financial Agency Agreement with the Department of the Treasury (Treasury). The agreement outlines the duties of financial institutions designated as Financial Agents and ensures compliance with the ETASM standards.

Q2. Who is eligible to open an ETASM?

- A2. Any individual who receives a Federal benefit, wage, salary, or retirement payment is eligible to open an ETASM.

Q3. What account features are included in the ETASM?

- A3. Based on comments received on proposed ETASM features, Treasury has determined that the ETASM will:
- be an individually owned account at a Federally insured financial institution;
 - accept electronic Federal benefit, wage, salary, and retirement payments and such other deposits as a financial institution agrees to permit;
 - be subject to a maximum price of \$3.00 per month;
 - have a minimum of four cash withdrawals and four balance inquiries per month, to be included in the monthly fee, through any combination of proprietary automated teller machine (ATM) transactions and/or over-the-counter transactions;
 - provide the same consumer protections that are available to other account holders at the financial institution;
 - allow access to the financial institution's on-line point-of-sale (POS) network, if any;
 - require no minimum balance, except as required by Federal or State law;
 - at the option of the financial institution, be either an interest-bearing or non-interest-bearing account; and
 - provide a monthly statement.

Q4. Can ETASM deposits be limited to Federal benefit, wage, salary, and retirement payments only?

A4. A financial institution may limit ETASM deposits to electronic Federal benefit, wage, salary, and retirement payments or, at its option, allow other deposits in addition to electronic Federal benefit, wage, sale, and retirement payments. A financial institution may choose to limit any additional deposits to electronic deposits or may allow recipients to deposit checks and/or cash in addition to other electronic deposits. Financial institutions may specify whether deposits of other funds may be made by mail, at an ATM, and/or over-the-counter. Financial institutions are not permitted to charge any fee in connection with allowing deposits of other funds.

Q5. Does the ETASM pay interest?

A5. Financial institutions may, at their option, pay interest on the account.

Q6. Will the ETASM include a checking account feature?

A6. Treasury is not including a checking feature as part of the ETASM. Treasury believes that keeping the account as simple as possible will ensure that the account is available at the lowest possible cost to recipients. Check writing capability, while desirable for some, increases the potential for overdrafts and overdraft fees. Treasury also believes that fewer financial institutions will elect to offer an ETASM that includes this feature because of increased risk to the financial institution.

Q7. Can recipients who have opened an ETASM switch to a traditional checking or savings account and receive their payment by Direct Deposit?

A7. Recipients will be able to switch at any time to a traditional checking or savings account and receive their payment by Direct Deposit and are encouraged to do so if a checking or savings account better meets their needs. Treasury considers the ETASM to be an important stepping stone to more full service banking relationships while providing a safe, reliable, and low-cost alternative to recipients who currently receive their Federal payments by check.

Q8. When will ETAsSM become available to recipients?

A8. Treasury anticipates that the first ETAsSM will be available beginning in the fall of 1999. Financial institutions that choose to offer the ETASM must first enter into an ETASM Financial Agency Agreement with Treasury. After being designated an ETASM provider, a financial institution may begin offering the ETASM to the public.

Q9. What choices are available to a recipient who receives State-administered benefits in addition to Federal benefits?

A9. Treasury is working with States to allow Federal benefit recipients who also receive State-administered benefits to access both types of benefits using a single debit card. Recipients of both Federal and State-administered benefits who live in a State where this card is available may choose to: 1) receive both State-administered and Federal benefits on a single card; or 2) receive their State-administered benefits through a State Electronic Benefits Transfer program, if available, and receive their Federal benefits through Direct Deposit or the ETASM.

Q10. Will Treasury allow non-financial institutions to offer ETAsSM?

A10. Treasury will not allow non-financial institutions to offer ETAsSM. Further, Treasury will not allow financial institutions that offer ETAsSM to enter into arrangements with non-financial institutions to provide access to these accounts. ETAsSM are designed to meet the statutory obligation that recipients have access to an account at a reasonable cost and with consumer protections comparable to other accounts at the same financial institution. Treasury believes that this obligation is best met by allowing only Federally insured financial institutions to provide access. Such access may be provided through branches and/or through a regional or national network of ATMs and POS terminals.

II. FINANCIAL INSTITUTION QUESTIONS

General

Q11. What is an ETASM Financial Agency Agreement?

A11. The ETASM Financial Agency Agreement is an agreement between Treasury and a financial institution designating the financial institution to act as Treasury's Financial Agent in providing ETAsSM. Any financial institution that offers the ETASM must do so subject to the terms and conditions of the agreement. The agreement incorporates the final features of the account and other account criteria, such as standards for closing accounts.

Q12. Are financial institutions required to offer ETAsSM?

A12. No. Participation by financial institutions in the ETASM program is voluntary.

Q13. May any financial institution offer ETAsSM?

A13. Only Federally insured financial institutions are eligible to offer the ETASM. This requirement serves to ensure that ETASM account holders' funds are deposited into

accounts that have Federal deposit insurance. Federally insured financial institutions are subject to comprehensive Federal regulation and oversight through examinations for safety and soundness and for compliance with consumer protection laws.

Q14. Are credit unions permitted to offer ETAsSM?

A14. Treasury encourages Federally insured credit unions to offer ETAsSM subject to any legal constraints on their authority to do so. A Federally insured credit union is permitted to offer an ETASM to any eligible Federal payment recipient who falls within the field of membership of the credit union.

Q15. How does a financial institution enroll in the ETASM program?

A15. Financial institutions should call 1-888-ETA-FRBK (382-3725) for more information about enrolling in the ETASM program.

Q16. In addition to completing the Financial Agency Agreement, what information must financial institutions provide to Treasury?

A16. Participating financial institutions must complete and provide to the FRB Dallas, acting as Treasury's Fiscal Agent, the enrollment form attached to the ETASM Financial Agency Agreement. In addition, financial institutions must report to Treasury by the 15th day of each month the number of ETAsSM opened and closed during the previous month and the number of accounts open as of the end of the previous month. Financial institutions must provide an account number for the institution to which payment for set up fees shall be made.

Q17. What other information does Treasury anticipate requesting from financial institutions?

A17. In addition to the enrollment form and monthly reports referred to in Q & A 15 above, financial institutions may be required to provide Treasury with other information and documentation, including internal audit reports, necessary for Treasury to verify the number and status of ETAsSM, facilitate payment of set up fees, and ensure compliance with the terms of the Financial Agency Agreement.

Q18. What is the role of the Federal Reserve Bank of Dallas in the ETASM program?

A18. The Federal Reserve Bank of Dallas (FRB Dallas) acts as Treasury's Fiscal Agent. FRB Dallas will manage financial institution enrollment in the program, receive completed Financial Agency Agreements from those institutions seeking to offer ETAsSM, and be responsible for recipient and institution customer service inquiries. In addition, the FRB Dallas will make available a list of all financial institutions and branches offering

ETAsSM on an Internet website and distribute Treasury ETASM marketing materials for financial institution use.

Q19. May a financial institution brand or co-brand an ETASM?

A19. The account must be identified as an ETASM, but co-branding is allowed. For example, "First National ETASM" would be acceptable.

Q20. If participating financial institutions offer on-line POS access to existing customers, are they required to provide the same access to ETASM holders?

A20. Yes. Treasury requires participating financial institutions to provide access to their on-line POS networks. Financial institutions are not allowed to impose any fees with respect to POS access; however, as with other commercial transactions, individual merchants might impose fees for on-line POS which would be the responsibility of the account holder. Financial institutions that provide POS access are permitted to terminate a recipient's POS access if such access is misused, for example, by repeated overdrafts.

Q21. May a financial institution provide over-the-counter access only?

A21. Yes, as long as the ETASM contains all of the required account features.

Q22. If a financial institution provides a receipt with an account balance when funds are withdrawn from an ETASM, does that count as one of the four required balance inquiries?

A22. No. Incidental account balance information given on a receipt following a deposit or withdrawal transaction is not considered a balance inquiry. A minimum of four free balance inquiries, independent of other transactions, is required.

Q23. Is it possible for an ETASM holder to overdraw his or her account? If so, how much is a financial institution permitted to charge the account holder for an overdraft?

A23. It may be possible for an account to be overdrawn under very limited circumstances. The maximum amount that may be charged for an overdraft in an ETASM account is \$10.

Q24. Is ACH debit capability an allowable ETASM feature?

A24. Financial institutions are not allowed to offer ACH debit capability as an additional ETASM feature. However, institutions are not required to reject ACH debits initiated by recipients.

Q25. What are a financial institution's responsibilities when an attachment order is received?

A25. Financial institutions must immediately send a copy of the order and the name of the creditor and contact person, if any, to the recipient. In order to ensure that recipients understand that Federal benefit payments deposited to an ETASM generally are protected from attachment, Treasury will require institutions opening ETAsSM to provide disclosure information to recipients on the types of funds that are not attachable and whom to call for more information.

Q26. If a financial institution terminates its agreement with Treasury, what will happen to the institution's ETASM accounts?

A26. If a financial institution terminates its agreement with Treasury, it must stop opening new ETAsSM. In addition, it must close existing ETAsSM in a manner that allows for the orderly transfer of the accounts to another financial institution. The financial institution may at any time offer account holders the option of switching their ETASM to a traditional checking or savings account. See Q & A 7.

Q27. What account adjustment rules apply if a Federal agency makes an overpayment?

A27. The rules of the Federal agency whose funds were paid in error apply in case of an overpayment.

Q28. Will Treasury maintain a listing of individuals who have had an ETASM closed for fraud?

A28. No, Treasury does not intend to maintain any information on individuals who have had an ETASM closed for fraud.

Q29. Are financial institutions able to exercise their right of set off against an ETASM to pay for obligations of the account holder?

A29. Treasury will permit financial institutions to exercise a right of set-off against an ETASM for certain obligations of the account holder that are directly related to the maintenance of the account. These obligations are limited to:

- the monthly fee;
- any other fees incurred by the recipient in connection with the maintenance of the ETASM;
- any amount mistakenly credited to an ETASM for which the recipient has no legal right;
- the amount of any overdraft on an ETASM; and
- any amount for which the recipient is liable under Regulation E.

Treasury will not permit financial institutions to set off against ETASM obligations incurred by the account holder in connection with other accounts, products, or services offered by the institution.

Q30. May a financial institution require that an account holder provide seven days' notice prior to withdrawing funds from his or her ETASM?

A30. The seven days' notice requirement applies only to interest-bearing accounts. Under Federal regulations, in order for a financial institution to pay interest on an ETASM, the institution must reserve the right to require the account holder to provide at least seven days' written notice prior to withdrawing funds from the account. The Financial Agency Agreement states that a financial institution may not require seven days' notice by any ETASM holder unless it requires this notice of all of its interest-bearing transaction account holders.

Q31. Can financial institutions offer low-cost accounts that differ from the ETASM and call these accounts ETAsSM?

A31. No. The use of "ETASM" is limited to accounts offered in accordance with the terms of an ETASM Financial Agency Agreement. Only accounts that have the required features and are offered at or under the \$3.00 monthly fee may be called "ETAsSM." Treasury encourages financial institutions to offer other low-priced accounts with additional features, but these accounts may not be called "ETAsSM." The ETASM service mark ensures standardization and avoids confusion with other accounts.

Account Opening And Closing

Q32. Are participating financial institutions required to open an ETASM for any Federal payment recipient who is eligible to open an ETASM?

A32. Yes, with limited exceptions, a participating financial institution must provide an ETASM to any Federal benefit, wage, salary, or retirement payment recipient who requests an account, and who authorizes the deposit of eligible payments to the ETASM. The exceptions are as follows: (a) a financial institution shall not open an ETASM for any individual if the institution does not have authority under its charter to maintain a deposit or share account for the individual, and (b) a financial institution is not required to open an account for any individual if (i) the institution is aware that the individual previously was the owner of an ETASM that was closed because of fraud at that institution or any other financial institution, or (ii) the institution, for reasons of account misuse, previously closed an ETASM held by the individual at that institution.

Q33. Can ETAsSM be jointly held accounts?

A33. Yes, accounts may be jointly held at the discretion of the recipient. By characterizing the ETASM as an “individually owned” account, Treasury intended to indicate that the ETASM would not be a Treasury owned account. Treasury rules do not require that the recipient’s name be the only name on the account.

Q34. Can a financial institution have an account agreement with the ETASM holder that is similar to its standard deposit account agreement?

A34. Yes, as long as the agreement is in accordance with the required ETASM features and fee restrictions and includes the disclosures required for ETAsSM.

Q35. On what grounds may a financial institution close an ETASM?

A35. A financial institution will be permitted to close an ETASM where the financial institution has cause to believe that fraud has occurred in connection with the account or that the account has been misused. Any determination that fraud or misuse has occurred must be consistent with the financial institution’s usual criteria for closing accounts. Those criteria could include, for example: where the institution determines that fraud has occurred after conducting the investigation required under Regulation E; excessive overdrafts; negligence in safeguarding an ATM and/or POS card or PIN number; or failure to pay an overdraft within a reasonable period of time.

A financial institution may not close an ETASM for any reason other than fraud or misuse unless it is requested by the holder of the ETASM to do so; the ETASM ceases to be used for the receipt of eligible payments; or the Financial Agency Agreement is terminated in accordance with its terms.

Q36. May a financial institution close an ETASM immediately upon the discovery of misuse or fraud?

A36. Yes, no grace period is required.

Q37. If an ETASM holder stops receiving Federal payments, must the account be closed?

A37. No, the account may remain open at the discretion of the financial institution.

Q38. If an ETASM holder closes an account, what happens to the funds subsequently deposited?

A38. The financial institution must return the funds to the agency or originator of the funds transfer.

Q39. If there has been no recent activity on an ETASM and the ETASM holder cannot be located, what are the financial institution's obligations with respect to the account?

A39. Like other accounts at the financial institution, ETAsSM are subject to applicable State escheat laws.

Fees

Q40. Will the Federal government reimburse financial institutions for any costs associated with opening the ETASM?

A40. Treasury will reimburse financial institutions a one-time fee of \$12.60 per ETASM opened to offset the costs of setting up the account. Set up costs include costs to enroll customers, train staff, and issue cards.

Q41. Who pays the monthly fee, the ETASM account holder or Treasury?

A41. The monthly fee is the responsibility of the ETASM account holder.

Q42. When does the monthly fee begin to accrue?

A42. Once the account is opened, the monthly fee may be charged in accordance with the financial institution's standard billing procedure.

Q43. For what additional services may a financial institution charge fees?

A43. A financial institution may charge the holder of an ETASM a fixed monthly account fee not to exceed \$3.00. A financial institution may not charge any other fee in connection with any required attribute of the ETASM. See Q & A 3. However, a financial institution may charge the holder of an ETASM other account-related fees that the financial institution usually and customarily charges to its other retail customers. Examples of such fees include: fees for additional withdrawals and balance inquiries; lost card fees; and account research fees. A financial institution may impose fees at its customary rates, except that the amount of any overdraft fee may not exceed \$10. All fees must be disclosed in accordance with the requirements set forth in paragraph 10(a) of the Financial Agency Agreement.

Q44. Can a financial institution charge extra for an ETASM that pays interest?

A44. Yes. A financial institution may charge a higher monthly fee for an interest-bearing ETASM than it charges for a non-interest-bearing ETASM, but in no case may it charge a monthly fee in excess of \$3.00.

Q45. Can financial institutions charge ETASM holders for using foreign ATMs?

A45. Yes, a financial institution may charge ETASM holders for transactions at foreign ATMs, provided the institution provides for a minimum of four cash withdrawals and four balance inquiries per month within the monthly fee. ETASM holders may also be subject to additional charges by the foreign ATM owners.

Q46. Will Treasury adjust for inflation the monthly account fee, overdraft fee, and set up fee?

A46. Treasury will evaluate the appropriateness of these three fees from time to time, and will make adjustments periodically as warranted.

Regulatory

Q47. Do financial institutions earn Community Reinvestment Act (CRA) credit for participating in the ETASM program?

A47. The Federal Financial Institutions Examination Council recently supplemented and republished in the Federal Register its Interagency Questions and Answers Regarding Community Reinvestment. Question and Answer 3 addressing §§ __.12(j) and 563e.12(i) has been amended to state that providing ETAsSM qualifies as a community development service.

Q48. Are ETAsSM considered transaction accounts for the purposes of Regulation D (reserve requirements)?

A48. Regulation D is the Federal Reserve Board's regulation relating to reserves that depository institutions are required to maintain against their transaction accounts. ETAsSM that include POS access are considered to be transaction accounts and are subject to Regulation D's reserve requirements. ETAsSM that do not offer POS access are not considered transaction accounts for purposes of Regulation D.

Q49. Does Regulation E apply to ETAsSM?

A49. Yes. Regulation E is the Federal Reserve Board's regulation that establishes the basic rights, liabilities, and responsibilities of consumers who use EFT services and of financial institutions that offer these services.

Q50. Does Regulation DD (Truth in Savings) apply to ETAsSM?

A50. Yes. Regulation DD is the Federal Reserve Board's regulation implementing the Truth in Savings Act of 1991. Regulation DD is designed to enable consumers to make informed

decisions about accounts at depository institutions by requiring depository institutions to provide disclosures regarding the rates of interest payable on deposit accounts, minimum balance requirements, and the fees that are assessable against deposit accounts.

III. RECIPIENT QUESTIONS

General

Q51. What types of consumer protections are available to ETASM account holders?

A51. ETAsSM will be subject to the same consumer protections available to other account holders at the same financial institution. For example, an ETASM is Federally insured and subject to the Truth in Savings Act disclosure requirements in Regulation DD and the electronic access protections found in Regulation E.

Q52. How will recipients know where to find a financial institution providing the ETASM?

A52. Treasury will maintain and make publicly available, by telephone and other electronic means, a list of participating ETASM providers. In addition, financial institutions offering the ETASM will be required to display prominently an ETASM logo that is supplied by Treasury indicating that the ETASM is available at that financial institution. A public education campaign will support the effort to reach recipients with detailed information.

Q53. How quickly after a financial institution is designated as an ETASM provider can that institution advertise the ETASM to the public?

A53. Once the Financial Agency Agreement has been signed by the financial institution and FRB Dallas as Fiscal Agent for Treasury, the financial institution may begin to offer the ETASM and advertise its availability to the public. Treasury will begin its public education campaign in early fall after financial institutions have begun offering the ETASM.

Q54. How can an account holder withdraw all of his or her funds from an ETASM if the balance is less than the smallest denomination available at an ATM?

A54. Account holders may use their debit card at a POS terminal if the financial institution is a member of an on-line POS network. POS terminals are commonly found in many retail outlets such as grocery stores, service stations, and post offices, and are available for purchases in any amount. In addition, some financial institutions may offer over-the-counter cash withdrawals. These cash withdrawals may be made in any denomination.

Q55. Are authorized payment agents eligible to open an ETASM?

A55. Yes. An authorized payment agent that has been selected to receive payments on behalf of a Federal payment recipient is eligible to open an ETASM. Treasury defines an authorized payment agent as an individual or entity that is selected as a representative payee or fiduciary, in accordance with regulations of the Social Security Administration, the Department of Veterans Affairs, the Railroad Retirement Board, or other agency making Federal payments, to act on behalf of an individual entitled to a Federal payment.

Q56. How may access to ETASM balance information be provided?

A56. Access to balance information may be provided by ETASM providers through one of three methods: 1) through ATMs, 2) over-the-counter at the ETASM provider's main office or branch locations, or 3) through a combination of ATMs and over-the-counter. In addition, access to balance information may be provided over the telephone or, if the recipient agrees, through other electronic means. Any of these methods may be used at the option of the financial institution as long as a minimum of four balance inquiries is provided within the monthly fee.

Q57. Where can more information be found regarding Federal electronic payments?

A57. Recipients can contact the appropriate Federal agency to receive more information regarding electronic payments.

Agency customer service telephone numbers:

Social Security Administration	1-800-772-1213
Department of Veterans Affairs	1-800-827-1000
Office of Personnel Management	1-888-767-6738
Railroad Retirement Board	1-800-808-0772

Or call:

The agency making your salary or wage payment.

The agency making your benefit or retirement payment, if different from the agencies listed above.

Q58. Are Federal payment recipients who currently receive payment by check required to open an ETASM?

A58. No, Federal payment recipients will not be required to open an ETASM. Treasury regulations provide hardship waivers for those recipients for whom receiving payment electronically would impose a hardship due to a physical or mental disability or a geographic, language, or literacy barrier, or would impose a financial hardship. In

addition, Treasury regulations prohibit Federal agencies from withholding or delaying payments to individuals if they do not respond to a request for information.

Q59. Can an individual who already has an account at a financial institution sign up for an ETASM?

A59. Yes, the ETASM is available to all individuals who receive Federal benefit, wage, salary, or retirement payments, regardless of whether they have an existing account at a financial institution.

IV. RECIPIENT DEMOGRAPHICS

Q60. Where do Federal check recipients reside?

A60. The majority of Federal check recipients are concentrated in urban areas across the country. The top five cities in which check recipients reside are Los Angeles, New York, San Francisco, Chicago, and Miami. In addition, over half of all Federal benefit, wage, salary, and retirement payments are made in 10 states: California, New York, Ohio, Pennsylvania, Michigan, Texas, Illinois, North Carolina, New Jersey, and Florida. For more information about check payment demographics, please visit the Financial Management Service's web site at <http://www.fms.treas.gov/eft/eta/>.

V. PUBLIC EDUCATION/MARKETING

Q61. How is Treasury making recipients aware of their payment options, including the availability of the ETASM?

A61. Over the last two years, Treasury and the Federal payment agencies have frequently mailed information notices to check recipients about the upcoming changes. Since October 1997, Treasury and the Social Security Administration have funded a public education campaign that includes a public relations campaign, public service advertising, and grassroots education and outreach.

In addition to information about the DCIA and the ETASM, the grassroots component provides information on how to select a financial institution and account and how to use banking services. A field network that includes Treasury/Financial Management Service staff, regional managers, and community-based organization contacts has been established in five regions to extend as far as possible the reach of this educational effort. The network conducts "in-touch" seminars with check recipients, and staff meet with local and grassroots organizations (such as neighborhood associations; senior citizen, disabled, and homeless organizations; and ethnic advocacy organizations) to equip them to lead educational seminars for their constituencies. Through this effort, Treasury works

to provide up-to-date information about policy decisions, outreach partnership opportunities, and available materials.

Q62. What role do Federal agencies have in publicizing ETAsSM?

A62. Under 31 CFR Part 208.7, agencies must disclose to each individual who is eligible to receive a Federal benefit, wage, salary, or retirement payment and who is not already receiving payment by electronic funds transfer the availability of the ETASM as an alternate method of receiving payment.

Q63. What ETASM marketing material will be available for financial institutions that enroll to be ETASM providers?

A63. Financial institutions can order free marketing materials from Treasury to advertise the availability of the ETASM to potential customers. These materials include the ETASM window decal that the financial institution will be required to prominently display so that potential customers know that the financial institution has been designated as an ETASM provider. Other materials include posters, tent cards, teller buttons, and “take one” cards about the ETASM.

VI. FOR MORE INFORMATION

For more information, please contact:

- ◆ Sally Phillips, Senior Financial Program Specialist, at (202) 874-7106;
- ◆ Stephen Kenneally, Financial Program Specialist, at (202) 874-6799; or
- ◆ Cynthia L. Johnson, Director, Cash Management Policy and Planning Division, at (202) 874-6590.

In addition, inquiries about the ETASM may be submitted:

- ◆ electronically via e-mail to eta.inquiries@fms.sprint.com; or
- ◆ by filling out an inquiry form available on the ETASM web site at <http://www.fms.treas.gov/eta>.

Financial institutions may call 1 888 ETA-FRBK (382-3725) for more information about enrolling in the ETASM program.